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ABSTRACT

Elements essential to an adequate framework for rural development in the U.S. are a national growth and development policy which includes a rural development strategy and definition of common problems and programmatic actions required to deal with them. Many past federal rural development programs (lacking a federal rural policy focus) have failed to build adequate state and local capacity for managing rural development, to use a wide enough range of development tools, and to target resources on problems of special groups; fragmented programmatic approaches have caused rural data base deficiencies. Three objectives proposed for rural development are expanding economic opportunity, providing access to essential services and facilities, and strengthening public and private institutions concerned with rural development. Strategies to increase effectiveness of federal rural development efforts might include: a comprehensive public report on status and needs of rural America and programmatic initiatives required; a more integrated rural development policy management process through a rural development policy focus within the White House, evolution in advocacy role of the U.S. Department of Agriculture, and strengthened state and local institutional capacity; a larger role for private enterprise (national development bank, tax, wage, and output incentives); interagency efforts (housing, technical assistance, data base). (RS)

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Problems of Rural America

In 1970, ~~nearly 65~~ 54 million people lived in the nonmetropolitan areas of this country, and several million more Americans lived in largely rural sections of our metropolitan areas. Since 1970, these nonmetropolitan areas have been showing significant growth, at a rate of 6.6 percent compared with 4.1 percent for metropolitan areas. From 1970 to 1975, they absorbed nearly 37 percent of the population growth and roughly 40 percent of the growth in nonfarm employment that occurred nationally. Despite progress in rural areas, however, rural people continue to be disadvantaged in terms of wage levels, median family income levels, employment opportunities, adequacy of housing, access to health care and other essential public facilities and services, and institutional capacity to support local decisionmaking.

Rural areas contain a disproportionate share of the poor, with one in six nonmetropolitan residents living in poverty, compared with one in nine in metropolitan areas. Much of the rural poverty is concentrated in the South. Many areas in other regions contain continuing pockets of poverty. Many areas are also particularly susceptible to structural economic changes and have no capacity or tools to cope with these changes on a long- or short-term basis. Some of those areas are suffering from stagnation or decline. At the same time, in other areas, growth is both creating new opportunities and raising concerns about sustaining the quality of rural life.

Because of the diversity of problems and dispersed settlement patterns of rural people, it is unusually difficult and costly for them to organize effective advocacy to get national attention for problems they confront, either of disadvantage or growth. Rural communities find it excessively costly to participate

effectively in important decisions of Federal agencies, in regard to both assistance programs and regulations which substantially affect their lives and their futures. (Commercial farmers, though small in number, are, of course, a notable exception to the lack of effective advocacy.) Many rural areas are also deficient with respect to the technical means and institutional capacities to alter or eliminate the factors causing underdevelopment and unemployment or to cope with the undesirable effects of growth.

Federal Programs' Weaknesses

Many Federal programs have been created, especially since 1960, in an attempt to address specific problems. Most of these programs have provided categorical grants-in-aid to local governments. Despite a substantial number of singularly successful local efforts funded by these programs, they suffer from a number of serious weaknesses.

Neglect of State and Local Institutional Capacity

Most important from an institutional perspective, these programs have not built adequate capacity at the State level or fully effective capacity at the local level for managing rural development.

For example, in 1974, only $40 million of the $48 billion in Federal operational (program assistance) funds directed to State and local governments was targeted toward improving policy or resource management across functional lines. At the State level, the problem of building adequate capacity has been aggravated by the fact that these programs were largely operated on a Federal-to-local basis.

One serious consequence of the lack of concern for capacity to manage rural development at the State level has been a lack of State-level support for rural development. Federal interest in creating capacity at the local level during

1961-1972 was reflected in requirements and incentives for the creation of multicounty units, usually of a functional character, for planning and related program purposes. Areawide servicing arrangements had been growing in popularity and these Federal initiatives triggered creation of an assortment of substate areas by State and local governments. Occasionally, but not usually, Federal, State, and local efforts produced a single multicounty body. Generally, however, the result has been diverse, overlapping boundaries. The multiple units have been a serious impediment to effective use of the limited resources available for development purposes, a problem that is acute in rural areas.

Development Tools

Federal programs have concentrated planning attention and funding heavily on public facilities investments which have significantly improved the public infrastructure in many parts of rural America, but have not stimulated substantial private sector employment. Only a relatively limited set of incentives to the private sector has been used to encourage business and industry to invest in new employment creation for rural America. There is no evidence that these incentives have resulted in a change in the overall level of distribution of private investment.

Federal programs have also significantly underinvested in human resource development in rural areas. Most manpower, education, and training efforts, for example, have been concentrated in urban areas. Similarly, investment in technological innovation that effectively addresses the unique and diverse needs of rural areas has been, apart from support for agriculture and forestry, negligible in contrast to the need. In short, existing programs do not use a wide enough range of development tools, nor provide an adequate framework for either a proper mix of tools or to allow such a mix to be tailored to the unique and diverse needs of specific areas of rural America.

Limited Attention to Targeting

The Federal Government has also found it difficult to target resources on the problems of special groups in rural America. Among those most seriously affected have been the Indians, poor Blacks, and Hispanics. With limited funding and an understandable desire on the part of program managers to make cost-effective use of the funds, there has been a tendency to make public investments in the "best of the worst" areas. Thus, many of the disadvantaged rural people have failed to benefit from these programs.

Knowledge Needs

The existing fragmented programmatic approach also has caused several deficiencies in the knowledge base necessary to plan and manage both policy and programs. Insufficient intellectual capital has hitherto been devoted to understanding the causal forces, nature, and extent of rural development problems, and, more currently, the presumed opportunities that may be associated with the movement of increasing numbers of people to rural areas. Institutional, physical, financial, and human resource capacity are required for development. Because of the diversity of rural areas, both problems and the resources required for development vary widely among regions and areas. An adequate rural data base does not yet exist to fully illuminate these differences and the relationships among them. Improvements in this regard are underway but more emphasis is needed. Despite this, in rural development as with other issues, policy choices must be made in face of considerable uncertainty.

No Federal Focus

Finally, and of critical importance, despite the growth of Federal assistance programs directed to rural areas and problems, there is no Federal focus for rural development policy. In fact, rural development policymaking is as

fragmented as rural people are dispersed. Rural areas are often ignored in the rulemaking and regulatory processes of Federal agencies and indeed in the design of delivery systems for programs as well. The two functions, providing a policy focus and acting as advocate, are related, but they may not be synonymous.

Rural and urban areas are aspects of a single economic and social system. Both share common problems (e.g., income and employment deficiencies). Each has different advantages and deficiencies that reflect the Nation's historical values and development patterns, resource base, and spatial distribution of activities. Clearly, macroeconomic policies will be of critical importance for both rural and urban areas, but their employment and production effects in spatial terms may vary substantially. Specific rural, as well as urban, development programs may also have macroeconomic policy implications. However, macroeconomic policies and macroindicators on a national scale are not sufficient to cope with the serious distributional problems involved in economic growth and the delivery of both public and private goods and services.

Undoubtedly, with the many issues to be dealt with in balancing concerns for economic growth with other concerns for the quality of the environment, there is need for a policy focus on national development. Within the national focus, it would seem desirable for specific attention to be devoted to the needs of rural as well as urban areas, and within each, especially to the most disadvantaged. The practical, political, and operational issues involved, as well as the kind of empathy required for effective action, are remarkably different. Very different policy management and implementation systems are required to deal with small dispersed communities on the one hand and large densely packed urban places on the other.

Of course, there are many specific issues involved in pursuing complementary rural and urban development strategies. One that is frequently raised is that of defining in spatial terms the boundary for rural as contrasted with urban program efforts. But, apart from the coalitions essential for effective legislation for either rural or urban problems, this is a question on which reasonable administrators can be brought into agreement. Division in terms of metropolitan and nonmetropolitan areas, adjusted for obviously rural parts of the former, is quite feasible except to those who would council perfection.

Objectives of Rural Development

Three critical factors combine to differentiate rural settlements and activities for public policy purposes:

(1) Rural areas are diverse. Some hold little promise of providing an acceptable level of living for their residents. Others are struggling to respond to structural changes both favorable and unfavorable.

(2) Rural communities are smaller and their populations are more widely dispersed. Thus, institutional obstacles to development require special attention.

(3) Technologies (both physical and social-organizational) developed for densely settled urban populations are often inappropriate for rural areas.

It is assumed that there is a national commitment to maintain reasonable opportunities for individuals to choose among a wide variety of life styles and places and to assure that these choices are not inordinately costly in terms of decent opportunities to work and live. Given this assumption, and recognizing the diversity of rural conditions, three objectives are proposed for a rural development strategy.

- Expand economic opportunity through improved access to better jobs and income for low-income and underemployed rural people, and assist in adjustment to structural economic change that results (or is likely to result) in chronic unemployment.

- Provide access to a minimum acceptable level of essential public facilities and social services for all rural people.

- Strengthen the planning, management, and decisionmaking capacity of public (and private) institutions concerned with economic opportunity and quality of life in rural America.

There is widespread acceptance of the first objective, "expanding economic opportunities." It is especially relevant in areas of the South with large concentrations of low-income rural people and in those rural communities in all parts of the country that are negatively impacted by structural changes in the economy.

Despite considerable agreement on the objective, questions have been raised with respect to the factors that give rise to rural underdevelopment, the information required to target Federal programs, and the adequacy of the tools available to effect the desired outcome. In effect, as discussed later in this summary, these questions constitute an agenda for further intensive and urgent examination.

The second rural development objective, "providing access to essential services and facilities," adds to that agenda since strong doubts have been expressed about its appropriateness. Obviously, equal access to a metropolitan range of service cannot be provided and standards of what is acceptable will vary. Issues of both social efficiency and equity must be considered with respect to all investments in rural areas. However, serious deficiencies in education and training, health care, and other essential services

persist in many rural areas and will have important consequences both for people in those areas and for society as a whole. The aim is to provide access to specified services that are functionally appropriate to rural conditions, not to provide the entire range of urban amenities.

With the third objective, "strengthening public and private institutions" concerned with the rural development process, there appears to be widespread agreement. As will be discussed subsequently, the initial stress is on the need for a policy focus and on a rural advocate within the Executive Branch and on assisting the States in enhancing the capacity for rural development policy management.

Nature of the Policy Framework Needed for Rural Development

There are three essential elements of an adequate framework for rural development policy formulation and implementation. These are: (1) articulation at least in broad outline of a national growth and development policy; (2) establishment of the main direction and emphasis of a rural development strategy within the context of national growth and development policy; and (3) definition of common problems and the programmatic actions required to deal with them. The steps underway or needed to address each of these elements are briefly discussed.

National Growth and Development Policy

The White House Conference on Balanced National Growth and Economic Development is scheduled for February 1978, with the report scheduled for some months later. The Conference will be concerned with an economic development strategy for cities, rural areas, and regions. Both the urban growth report of HUD and the rural goals report of USDA are expected to derive insights and information from the Conference. Meanwhile, an interdepartmental task force chaired by the

Secretary of HUD is working with White House participation to define a comprehensive urban strategy. Obviously, both rural and urban policy will be conditioned by a national growth and economic development policy should it emerge. In the meantime, there is need for activity in the rural areas paralleling that in the urban if national policy is to reflect a balanced consideration of both.

Rural Development Strategy Options

The remainder of this paper identifies a number of options that might significantly increase the effectiveness of Federal rural development efforts, but the options require further detailed study before sufficient information will be available to allow a considered choice among them.

Within the context of a common focus on nonmetropolitan America and a concept of the development process which includes economic, social, and government capacity development, the following questions also need to be addressed:

(1) Excluding organizational changes, how can Federal economic development efforts be made more effective?

   a. Should the current mix of Federal assistance among human resource investments, public facilities (infrastructure) investments, and private sector incentives be changed?

   b. What additional mechanisms to encourage private sector job creation in rural areas should be adopted?

   c. How can Federal economic development efforts be better targeted on the rural disadvantaged; especially Indians, poor Blacks, and Hispanics?

(2) What organizational changes would contribute to a more effective economic development effort?

(3) How can specific meaning be given to the Federal concern to assure access to minimum acceptable levels of essential facilities and services to all rural residents?

a. What are the essential facilities and services, recognizing not only people's needs but likely budget constraints?

b. What kind of a process would contribute to establishing useful and meaningful minimum levels?

c. Should specific quantitative goals and criteria for targeting Federal resources be adopted?

(4) How should the Federal Government contribute to building an improved institutional capacity to deal with rural development issues?

a. What are the options for providing a Federal organizational and policy focus for rural development?

b. What should be the role of Federal, State, and local governments in the planning and implementation process of programs for rural development?

c. What position should the Administration take with regard to the multistate regional commissions and the multicounty substate districts?

d. What should be the role of nongovernmental public interest organizations?

Report on the Status and Needs of Rural America

In the context of the ongoing examination of national growth and economic development and the evolving policy of the Administration, a comprehensive and

authoritative public report on the status and needs of rural America and the programmatic initiatives required to deal with those needs could make a positive contribution. It has been a decade since the last such report (The People Left Behind, 1968).

The Rural Development Act provides the authority for the Secretary (or his designee) to seek data from other Federal agencies or levels of government which might be relevant to rural development. More useful information about the state of rural America is needed, especially in terms of the impact of Federal (and other) programs. Recent reports contain information which is too highly aggregated and lack an evaluative dimension.

The Secretary of Agriculture could, under the Rural Development Act, mobilize data resources and research capability to produce an authoritative report. Such a report ought to be as comprehensive as possible with appropriate judgments and recommendations in order to provide the foundation for more focused Federal, State, and local action. Data and information collection need not be limited to Federal Agencies; it is especially important that opportunity be provided for full participation of State and local government and public interest group representatives. The Administration has stated its intention to confer widely before Federal programs are launched, putting an end to the idea that "the Feds know best." This approach recognizes that both the report and the method by which it is developed should provide explicit recognition of the significant differences that exist across the United States. The report, of course, also should help to undergird the rural dimension of the Administration's evolving national growth and economic development positions.

Need for Integrated Rural Development Policy Management Process

Over the longer run, effective rural development requires a more continuous and integrated policy formulation and implementation process involving all levels

of government and a number of Federal agencies. Such a process will involve a series of related steps. Some involve possible organizational or procedural changes within the Federal system. Others may involve a reordering of Federal, State, and local responsibilities and increased planning, management, and decisionmaking capacity for rural development. Still others may require changes in the tools available to accomplish rural development, including the enhancement of technical and data sources to support the effort. Key initial steps in achieving a more integrated policy management process include: (1) providing a rural development policy focus within the White House and the Executive Office of the President; (2) evolution in the rural development advocacy role of USDA; (3) strengthening institutional capacity at the State and local level to participate in the intergovernmental policy management process as well as to effectively formulate and implement policy within their own jurisdictions. Our conclusions with respect to these specific steps follow.

Rural Development Advocate Role for USDA

The Rural Development Act of 1972 directed the Secretary of Agriculture to provide leadership and coordination within the Executive Branch and assume responsibility for coordinating a nationwide rural development program utilizing the services of Executive Branch departments and agencies, bureaus, offices, and services of the Department of Agriculture in coordination with rural development programs of State and local governments. The Secretary was instructed to establish specific goals for rural development and to report annually on progress. He was also authorized to initiate or expand research and development programs related to problems of rural development.

The Act gave the Secretary of Agriculture no new authority over rural development programs outside the Department of Agriculture. It did make him responsible for promoting what is essentially voluntary cooperation among relevant departments and agencies. It provided him with a legislative basis for requesting information about rural development from sister Federal agencies and departments as well as from organizations of State and local government.

In effect, the Rural Development Act of 1972 envisions the Secretary of Agriculture as a rural advocate within the Executive Branch. The Act provides the Secretary a significant opportunity to pursue more effective policy direction for rural development in the United States.

State and Local Institutional Capacity

There seems little disagreement over the fact that States should play a key role in implementing a national rural development policy. Development activities at the State level have grown increasingly complex and significant in the past 15 years. The new social and economic programs of the 1960's resulted in important changes in the Federal Government's relationships with the States. Throughout the country, a broader view of development has begun to emerge; it is no longer conceived simply in terms of attracting more industry. This broader view of economic development was important in the concept of rural development that took significant legislative form in the Rural Development Act of 1972. As development issues have become more complex, they have required the attention and decisions not of a single agency, but rather of many agencies and political jurisdictions. These changes have increased the importance of the States' role.

However, a number of serious questions have been raised about their ability to take on this role. In fact, after a number of years of Federal support for capacity building to multicounty and substate districts and cities, the States

may now be the weakest element in the attempt to establish a meaningful intergovernmental policy management process for rural development.

A critical requirement for effective policy and action at the State level is to involve all relevant State agencies, substate regional organizations, and the elected leadership of counties and cities in the process from the outset. From the rural development perspective, at least, States need the equivalent of a governor's development council in which rural is an important dimension. The role of the council would be not only to bring together the State policymakers to decide on development issues, but also to build a constituency for the adoption and implementation of a development plan and program for the State. Effective leadership by the governor is essential and this, in turn, requires that he or she have access to an adequate policy management staff to work with the State agencies and outside groups.

In those States where the governor is seeking to exercise effective policy management over the development process, the Federal Government, through an appropriate rural development agency, should be prepared to provide funds for an adequate policy management staff. EDA's State economic planning program is one important building block in creating the policy management capacity for governors and their cabinet. Other departments of the Federal Government should join in this particular capacity building effort. However, financial assistance is only one element in developing the capacity of States. Another major component is consistency in the manner in which the Federal Government deals with States and local governments in its rural development programs. Additional options to be considered are:

(1) Delineation of a single set of substate districts by the States and operation of all Federal development programs through these districts.

(2) Creation of a national set of multistate regional commissions that encompass the entire country. The functions of the commissions should include not only planning, but also implementation of a set of development programs.

(3) Federal support for voluntary multistate organizations created by the States for planning and implementation of development programs.

An Expanded Role for Private Enterprise Is Indicated

In order to significantly expand the role of private enterprise--to create a partnership--in meeting the goals of rural development, new initiatives will be needed. Among the options that deserve serious consideration are the following:

- Establishment of a National Development Bank with authority to operate throughout nonmetropolitan America as well as in the distressed major core cities.

- Differential tax incentives that favor investments in poor rural areas and those with chronic unemployment problems (as well as the distressed core cities of many older metropolitan areas).

- Wage and output incentives to encourage private expansion of employment opportunities.

Interim Joint Program Initiatives Are Feasible and Desirable

Interagency efforts are most successful when there is a common, agreed-upon objective that can be accomplished within a relatively short time-period. Concurrent with efforts to more precisely define rural development policy, it is worth exploring whether limited objectives might be established with respect to one or more functions for which USDA has a significant responsibility for current programs in which other agencies also have a stake.

One possibility is in the housing field, in which both the Farmers Home Administration and the Department of Housing and Urban Development have a major stake.

A second is the provision of technical assistance to small communities (Extension Service, RDS through Section 111, CSA, Regional Commissions, ACTION, Department of Housing and Urban Development). Joint funding efforts could lead to the redefinition of objectives and the reallocation of functions as well as test the "climate" for interagency cooperation and serve as a transitional step in more fully developing the Secretary's role. The need to relate technical assistance activities is recggnized in established programs in other departments or agencies and provides an excellent opportunity to use existing USDA networks to promote rural development activities.

A third area is the development of a more adequate rural data base. The Rural Development Act of 1972 requires the Executive Branch to establish goals for rural America and to report progress toward achieving them. The previous Administration set qualitative goals but did not address the problem of creating a data base. Today, no data base exists for adequately assessing detailed conditions in rural areas, the changes taking place, or the relative impact and effectiveness of Federal programs. Such a data base should be created. The creation of a rural development data base would require substantial participation by numerous technical people (research, statistical, and operational) in several departments and agencies over an extended period of time. The work could most effectively be undertaken through a jointly funded Interagency Rural Development Data Base Project.

Finally, a joint initiative to begin to provide the means to more effectively meet the technology requirements of rural America could be very productive.

These technology requirements, with the exception of those of agriculture and forestry, have received too little attention. The physical and social technologies involved in rural community facilities and the delivery of services to rural areas have largely been transplanted from the urban setting for which they were developed. Interagency collaboration is needed to develop a program for the design of technologies, including service delivery systems, specifically for application in the rural setting and for the dissemination of information regarding rural technologies to rural areas. The elements of such a program might include the creation of a National Institute of Rural Research and Development, with authority to conduct research and development and to make grants to public and private institutions for such purposes; and a Rural Development Demonstration and Technical Assistance Fund to make grants to local units to demonstrate the application of innovative technology and to assist other units in the adoption of that which has proved successful. The activities provided for in Title V of the Rural Development Act and the regional Rural Development Centers, underfunded at present, are significant building blocks for this process.